

BE SURE TO READ THE FINE PRINT ON YOUR **AIRLINE** TICKETS  
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MEMO:  
BUSINESS TRAVEL

TEXT:  
Following the rules for using **\*\*\*airline\*\*\*** tickets can be tricky.

Just ask Franklin H. Littell, a clergyman, and his wife, Marcia Sachs Littell, a teacher, who live near Philadelphia. Their recent experience provides a buyer-beware warning about what can happen to the value of an **airline** ticket if you get erroneous information from **airline** personnel over the phone.

The Littells traveled extensively over the years to religious conferences and speaking engagements, building up **miles** in United Airlines' Mileage Plus frequent-flier **\*\*\*program\*\*\***. These were what frequent fliers call "old **miles**," meaning they were accumulated before United reduced the value of each mile in the late 1980s.

In March 1995, the Littells traded in 120,000 old **miles** for two first-class tickets between Philadelphia and Seoul for a trip scheduled to begin seven months later. But on Oct. 1, 1995, eight days before they were to depart, Marcia Littell broke her foot, and the trip had to be canceled.

The Littells said United Mileage Plus representatives told them over the phone that they had a year from the day their trip was scheduled to use the tickets.

Every three weeks or so, Marcia Littell would call United to make sure she and her husband, indeed, had until Oct. 9, 1996, to use the tickets. Each time, she said, she was assured the tickets were still good.

In April, however, United stunned the Littells by telling them that their tickets had become worthless on March 15, a year after they were issued. This good-for-a-year rule is part of the fine-print "Conditions of Contract" that usually appears on the back of **airline** tickets, and often is written in other literature from **airline** frequent-flier programs.

Besides declaring their tickets worthless, United wouldn't redeposit the 120,000 **\*\*\*miles\*\*\*** in the Littells' account. Letters of protest to United Plus' customer relations department were to no avail - until Sept. 12. On that day, United wrote a letter to the Littells, saying it would rectify the situation. The letter said that the matter had been brought to its attention by an Inquirer reporter. The letter promised that 120,000 "new **\*\*\*miles\*\*\***" would be redeposited in the account.

The new miles aren't as valuable as the old ones, but Marcia Littell said: "We're so thrilled to get something back, I'll settle for that."

What this tale teaches is that you can't always count on getting accurate information over the phone from the airlines about rules for using tickets. Most tickets are good for one year from the day they're issued, no matter what else you may be told.

Though you may fall asleep doing it, you should read the fine print that accompanies a ticket. If you're traveling without a paper ticket, using just an electronic reservation and confirmation number, ask the \*\*\*airline\*\*\* to mail or fax you a copy of the "Conditions of Contract."

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Alamo Rent A Car has joined other major companies in installing ATM-like kiosks that can be used to check out a vehicle in 30 seconds. Called the Quicksilver system, the machines have been installed at Alamo rental counters in 21 U.S. airports, with plans to put them in 90 airports by the end of 1996. You need a reservation to use the system, which is free to Alamo's corporate customers with whom it has contracts. For leisure travelers, Quicksilver costs \$50 a year.

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Getting to Know You

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ABSTRACT: Many financial services companies are rapidly abandoning their mass-marketing methods for Madison Avenue's latest high-technology system:

\*\*\*database\*\*\* marketing. The dramatic fall in the price of computer storage has made it possible for businesses to **accumulate** great quantities of data about their customers. A multibillion-dollar market has evolved to collect, analyze, and resell these bits of information. For 10 cents a name, middlemen offer unsettlingly extensive dossiers on nearly every US family, detailing ages, occupations, politics, property, finances, and even attitudes. Credit card \*\*\*issuers\*\*\* have been among the first to use this data to aim solicitations at the most receptive prospects. The best can reduce their mailing by as much as 1/3 while keeping response levels the same. Already, there is an incipient backlash, and Congress is considering several bills that aim to restrict the uses of credit data. In the European Community, proposed privacy regulations would virtually ban most of the lucrative uses of \*\*\*database\*\*\* marketing.

TEXT: Yes, I'm a hunter," says Stephen Cone, heading off the inevitable question about the zebra skin on his office floor. Bearded, wearing turquoise-rimmed glasses and a black-and-rainbow bow tie, Cone would be instantly **identifiable** in a crowded corporate elevator as a creative type. But he's also, it seems, quite a good shot. On the back of his door is a standard police-**issue** paper target, a life-size silhouette of a man's head and shoulders. Bullet holes perforate the heart.

Cone hunts for a living -- not zebras, but credit card holders. As senior vice president for direct marketing at American Express Co., he stalks the vast electronic veld of Amex \*\*\*customer\*\*\* files. He follows the trail of information left when customers apply for the card and when they buy things with it. Using mathematical models that sift through billions of clues, Cone tracks down the cardholders likely to pay extra for a gold card, buy a \$300 leather jacket by mail or visit a Barneys store in Los Angeles.

His aim can be uncanny. Cone has a computer that regularly scans cardholders, noting their neighborhoods, occupations, the presence of young children and perhaps a sudden increase in furniture purchases. Its task is to predict which families will move in the next year. It hits a bull's-eye four out of five times.

Like most financial services companies, Amex is rapidly abandoning its mass-marketing shotguns for Madison Avenue's latest high-tech weapons system -- \*\*\*database\*\*\* marketing.

The dramatic fall in the price of computer storage has made it possible for businesses to **accumulate** great quantities of data about their customers. And a multibillion-dollar market has evolved to collect, analyze

and resell these bits of information. For 10 cents a name, middlemen offer unsettlingly extensive dossiers on nearly every American family, detailing their ages, occupations, politics, property, finances and even their attitudes.

Credit card **issuers** have been among the first to use this data to aim solicitations at the most receptive prospects. The best can reduce their mailing by as much as one third while keeping response levels the same. The card **issuers** have also taken the lead in using statistical models to predict \*\*\*customer\*\*\* behavior, especially bankruptcy and default. And a handful have gone the next step, offering the rich store of information about their cardholders to aid the data-base-marketing efforts of other merchants.

But smart institutions of every sort are finding that the more information they have about customers, the more they can sell to them. In the fierce ground war that is branch banking, detailed data bases are enabling some banks to fight house-to-house. By purchasing data from outside sources, they can build financial and biographical profiles of their customers to find out which ones need student loans and which might want retirement accounts. Mutual fund distributors determine their customers' investment strategies and tolerance for risk by analyzing how they switch money between funds. And even full-service brokerage firms are trying to wrest information about their customers away from their brokers to centralize some marketing.

Ignorance is strength

But what of the hunted? Are consumers going to allow big business to compile intimate information about them like so much "Wild Kingdom" footage? Already there's an incipient backlash. Public outrage forced Lotus Development Corp. and Equifax, the credit bureau, to abandon an effort to sell a computerized directory of 80 million households, with their estimated incomes. Congress is considering several bills that aim to restrict the uses of credit data. And in the European Community, proposed privacy regulations would virtually ban most of the lucrative uses of data-base marketing.

Marketing executives argue indignantly that these initiatives are misguided. The more they know about customers, they say, the less likely they are to send mail that is considered "junk." "The worst thing we're going to do is try to sell you a product you actually want," says Amex's Cone. Many consumers may, in fact, appreciate the higher level of service that the technology affords. "Really, we're using a computer to take a giant step backwards to the earlier part of the century when the small-town banker knew all the customers by name and would communicate with them on the basis of understanding their needs," says Donald Mann, president of Fusion Marketing, a consulting firm that helps banks use personal information about their customers.

The promise of personalized banking for everyone sure beats the mass rudeness that most institutions have offered in recent years. But this new, friendly banker is, after all, an android. And without the restraint of a human conscience, its personal interest can sometimes be intrusive and

manipulative instead of helpful. Insurance companies, for example, buy mailing lists from hospitals to sell life insurance to new parents. Yet some such lists are so sloppy that cutesy messages of congratulation go to parents of stillborn babies.

What may be worse than what the android banker gets wrong, though, is what it gets right. As information about people's finances is disseminated through credit bureaus and various marketing schemes, the disturbing possibility arises that it may get into the wrong hands. Already, a diligent 12-year-old hacker has tapped into the credit bureaus. And the more information that is **accumulated**, the more the government, the media and divorce lawyers may be tempted to rob the data bank.

The possibility that big business may be unwittingly aiding Big Brother is beginning to worry even some senior financial executives. "I'm starting to feel a little violated. Every time you buy anything, there is the opportunity for someone to capture the information and sell a list," says Brian O'Hare, the former head of Bank of America's credit card unit. "Someone is not only tracking my preferences for one hotel brand over another; they're tracking my movements." BofA is one of the few large card **issuers** that don't rent their mailing lists or make **customer** names available to merchants. "The privacy **\*\*\*issues\*\*\*** are a mine field," says O'Hare. "Once you start to walk down the path, it's easy to get seduced into the next step, and you violate the trust of your customers." Full speed ahead

The use, and misuse, of **customer** data has, in theory, been possible since the advent of mainframe computers in the 1960s. But until recently the information was trapped in systems that were designed by accountants to print statements and keep the books. They were notoriously difficult to use for promotion.

Now banks and brokers can build separate marketing data-base systems that draw together all of an individual's accounts with an institution. Beyond that, they attempt to understand the total business they do with all the individuals in a household. "We've had all this information. The problem has been getting it into manageable form," says Citibank card chief James Bailey.

Once institutions establish these marketing data bases, they continually augment them with **\*\*\*customer\*\*\*** data from myriad sources. The accounting system provides product-usage and balance information. Biographical data comes from loan applications or account-opening forms. Even casual queries about products may be tracked for the insights they yield. For example, Scudder Funds now logs each request for a fund's prospectus in order to track patterns of interest. Banks record every balance inquiry. "If someone calls a bank to ask for the balance on his car loan, it's a good bet he's thinking of paying it off and buying a new car," says Booz, Allen & Hamilton bank consultant Nigel Brooks.

But the most ambitious companies want to know even more about their customers -- and an enormous industry of nosey parkers has sprung up to help them. Hospital photographers **\*\*\*identify\*\*\*** households with new

babies. Bookstores track reading preferences. High school yearbook publishers can pinpoint people's ages. And consumers themselves reveal a wealth of information when they fill out the questionnaires on warranty cards, almost all of which are compiled by Denver firm National Demographics and Lifestyles.

Government units are among the most enthusiastic data disseminators. State and local governments sell details from citizens' driver's licenses, auto registrations, property tax assessments, even voter registrations. Court records list bankruptcy and divorce proceedings. The U.S. Census Bureau sells much of what it knows, including income levels in geographic units of a few hundred homes.

#### Central dossiers

To tap into all this data, an institution can simply turn to one of the several companies that has begun to compile all of these lists into central dossiers of \*\*\*consumer\*\*\* behavior. Metromail Corp., for instance, maintains a list of 85 million American households culled from phone books, tax rolls and many other sources. For two thirds of American households, Metromail has individual records -- 30 or 40 data items on average. These include age, family makeup, home value, length of residence, credit card ownership, buying preferences, types of magazines subscribed to and auto type.

When Chemical Bank was building its marketing data base (a three-year project), it purchased all of the commonly available demographic data about its customers. But there was no available source for a critical piece of New York intelligence: whether the building a person lived in was a rental, condo or cooperative. So the bank actually dispatched people to \*\*\*identify\*\*\* every condo and co-op in the city from public records.

Overall, this data base has allowed Chemical to promote products with far greater precision than ever before. It has, for example, enabled the bank to offer a \$5 inducement to customers who get cash from automated teller machines but don't use them for deposits. And Chemical now does mailings to as few as 250 people. A branch can tap into the system to \*\*\*identify\*\*\*

likely prospects for an investment seminar. "We can now look at every individual with whom we do business in a variety of different ways: As a **customer**, as a member of a household, what kinds of products they use, how profitable they are to us and also the kinds of products we believe are missing," says Myra Rotfeld, Chemical's vice president in charge of data-base marketing.

These same techniques can also be used to find new customers. A bank or broker can go to a mailing-list compiler or a credit bureau and specify the exact demographic and geographic profile for a solicitation. Increasingly, institutions are bringing prospect lists in-house. American Express keeps a data base of every potential cardholder in America. The records note every solicitation Amex has ever sent to that person, and they contain purchased demographic data and lifestyle indicators.

Now, as it takes more control of its troubled brokerage subsidiary, Shearson Lehman Brothers, Amex hopes this data base will prove a secret

weapon. Full-service brokerage has been slow to adopt the techniques of data-base marketing, because local brokers know their customers well and don't want to share that information with the home office. Generally, the brokers do much of their own prospecting as well. "Why do I have brokers going out and buying their own lists when we work for a company that has 90 million people in its prospect file?" says Jonathan Linen, now Shearson's retail head and previously the executive who led American Express' charge into data-base marketing.

Though they are useful for prospecting, marketing data bases typically make companies more introverted. As they get better data on the effectiveness of various promotions and the profitability of different customers, it becomes clear that it's far more lucrative to try to sell more products to your existing customers than to find new customers. What pays off best, in fact, is paying extra special attention to your very best customers.

Beneficial National Bank in Wilmington, Delaware, calculates that 10 to 15 percent of its customers account for 70 percent of its deposits. Armed with a new PC-based marketing-information file and a laser printer, the bank now sends each of these customers a letter six times a year signed by the \*\*\*customer\*\*\*'s branch manager. The bank has developed a standard series of letters pitching various products, but the computer will send certain special letters if it \*\*\*identifies\*\*\* unusual behavior. "If we see a significant drop in balance, we send you a letter that asks where we screwed up. If you put in a lot of money, we send you a letter saying thank you," explains marketing director Bruce Purple. Similarly, institutions relate sales pitches to "life events," Amex's who's-moving model is powerful because when people move, they tend to rethink all of their financial relationships (and they buy a lot of merchandise too). Sears, Roebuck and Co. has been successful mailing Discover-card solicitations to newlyweds.

Anyone experimenting with data-base marketing, however, soon finds out that customers don't like it if a solicitation is too personal. "It's great to let the **customer** know you know who he is, but people don't want you to know too much about them," says Dawn DeCluet, marketing manager of Premier Bank in Louisiana. "They don't want you to write them and say, 'Hey, you turn 50 on October 1, and since your son is about to go to college, it's a good time to refinance your 10.5 percent mortgage'"

#### Model makers

The most difficult part of data-base marketing is finding meaning in a vast sea of trivia. To cope, marketers have developed complex statistical models that can categorize people based on their behavior and attitudes. If an institution wants to construct a mailing for new customers, it first analyzes its existing customers and past mailings to find any significant patterns. The goal is to develop an index that rates a person's likelihood to respond, say on a scale from 1 to 1,000. Then the offer can be mailed to the most responsive 20 percent of the prospects, that is, those who rate an 800 or better. If the model is a good one, this group will account for 75 percent of the total sales that would have been yielded in a mailing to the entire list.

For financial companies, the most important use of modeling is to estimate a \*\*\*consumer\*\*\*'s assets and income. "Income is a sensitive item. We all feel it's personal," says James McQuaid, Metromail's president. "So we create our own estimate of income -- in broad ranges -- based on what we know about people, the value of their house and the neighborhood and their occupation."

Are these models any good? When Chemical was setting up its marketing data base, it tested the quality of its data by looking up the bank's top executives. "We looked at the data for everyone," says Rotfeld. "I was surprised at how comprehensive and accurate it was. The data on me is in some fields very close. It got my age right. It knew I am single, a co-op owner, and I don't have a car." What the data got wrong was her income. "I live on the cusp of SoHo and the East Village," she says. "It's not a high-income area."

Another use of modeling is to build so-called "psychographic" profiles of consumers. Discerning such attitudinal characteristics as need for status and tolerance for risk is valuable in selling many kinds of financial services.

How can such things be determined? One key indicator is where people live. To learn the attitudes of individual households, research companies have developed geographical coding systems that use census and survey data. Marketing-data \*\*\*vendor\*\*\* Claritas Corp.'s Prism and Equifax's MicroVision assign people into one of 50 or so categories, such as "Movers and Shakers," "White Picket Fence" and "Moving-Ahead Minorities." Originally, these systems used census-block groups -- 300 households -- but now they can get as close as a nine-digit zip **code**, which averages about a dozen households.

Other data help the marketers \*\*\*identify\*\*\* the attitudes of individuals.

These include information on the magazines a person reads and the stores where he shops. American Express has a lifestyle model that decides which of half a dozen different solicitation letters a prospect gets. "Two people could live on the same block and have the same income, but if one owns a new Jaguar and the other a six-year-old Chevrolet, they are very different," says American Express executive vice president Phillip Reese. "I would probably send the Jaguar owner a gold-card, prestige-oriented package. The person with the Chevy station wagon would receive a more value-oriented or maybe security-oriented piece." The net effect of these efforts is that response rates to mailings is up 10 to 20 percent over the past two years.

#### Interactive media

Yet such indicators are superficial in contrast to the detailed profiles of **consumer** attitudes and interests that will be possible as new interactive media become available over the next ten years. The first step toward this world is Prodigy, the Sears-IBM personal-computer-based information service that now has nearly 1 million subscribers, one quarter of whom use it every day. As the subscriber reads news and lifestyle



features, electronic advertisements flash on the bottom portion of the screen. Different ads go to different people, depending on their demographic profiles.

The service keeps track of what topics a person reads. And Prodigy has introduced an electronic direct-mail service that, for 35 cents a name, will send messages to consumers' screens on the basis of those topics. Mutual fund companies, for example, are sending messages to customers who frequently look at business news. This is more than just a flash in the pan. Scudder Funds already gets more than 10 percent of its new accounts through Prodigy.

Transaction information can be analyzed in much the same way for marketing purposes. A list of where people shop and how much they spend is a far more accurate indicator of their financial and social status than many of the indicators compiled by mailing-list vendors. From a checking account, a bank can determine a **customer's** savings ratio, which could suggest his attitude toward risk and his appropriateness for certain investment products.

Mutual fund companies analyze records of **customer** switches between funds and can create a model of an individual's investment strategy. "Mutual funds all have characteristics. You can tell a tremendous amount about someone's investment objectives by watching his movement in and out of various funds," says Tom Jones, head of Epsilon Data, an American Express subsidiary that set up a **customer** data base for Fidelity Investments. This information allows a fund manager to determine whom to target and what to sell to them. "Movement into Treasury bills is an early indicator that confidence is falling. When that happens, small investors tend to leave the market, so you change your approach from acquisition to retention," Jones explains.

The first and in many ways most advanced use of transaction data is managing the credit risk of cardholders. In the mid-1980s, large banks developed behavioral scoring systems, analyzing a cardholder's actions through artificial-intelligence techniques to predict the likelihood of default.

Typically, such systems use what is known as a FRAQ score, which stands for the frequency, recency, amount and quality of both purchases and payments. Quality refers to what the person is buying: Furniture scores higher than liquor, for example. By looking at how the **\*\*\*customer\*\*\*** approaches paying his bills, how often he is late, if he is running up bigger and bigger balances, using cash advances more and a host of other factors, banks can **\*\*\*identify\*\*\*** many future problems.

Redlining?

However accurate, these scoring models raise troubling questions about fairness. For example, the credit record of the parents of a college student is a good predictor of his chances of default. Denying credit to the children of deadbeats is statistically prudent, but should they be penalized for the sins of their fathers?

Bankruptcy prediction is especially troublesome. In recent years bank losses in individual Chapter 13 filings have soared, so bankers have spent considerable sums trying to find indicators other than credit card payments to determine whether a person will declare bankruptcy. Last year First Chicago Corp., noting that the economy in New England was floundering, ran a bankruptcy model on some of its Northeastern cardholders. It cut off credit to 7,800 cardholders, about half of 1 percent of its base in the region. This outraged local leaders, who cried redlining.

"Bankruptcies in New England were up 80 percent in the first nine months, and we needed some way to control our risk," insists Scott Marks, who runs First Chicago's card business. He \*\*\*points\*\*\* out that in the same period that the bank withdrew \$21 million in credit lines, it granted \$1.2 billion in new credit to New England cardholders. Half of the people First Chicago cut off, though, were in fact entirely current with their obligations to the bank. As more and more models like First Chicago's come into use, bankers will have to focus even more on using them in a fair and honorable way.

Having realized how useful their information about customers is, card \*\*\*issuers\*\*\* wonder if they can make money selling it. Many large card **issuers** have overcome the traditional taboos about **customer** confidentiality and have started to rent their lists, earning as much as \$2 per account annually. Generally, banks rent their \*\*\*customer\*\*\* addresses for a single mailing that they approve for good taste. But some banks have gone further and sold their **customer** lists to list compilers such as Metromail. Card \*\*\*issuers\*\*\* are not the only ones in this business: Charles Schwab & Co. has been selling a list of people who phone in for brokerage-account information.

Selling **customer** lists is controversial, and many banks refuse to do so. Those that do sell them say they are not violating \*\*\*customer\*\*\* confidentiality, because they are not revealing the details of each account. But they do offer to screen \*\*\*customer\*\*\* lists by various categories. First Chicago will sell lists of frequent travelers or mail-order buyers, for example. Other institutions will list people with the largest purchases made in the last year.

Desperately seeking shoppers

Moreover, many institutions that don't rent their mailing lists are engaging in all manner of joint ventures with merchants. In these programs, the card **issuer** will mail a promotion to a selected group of cardholders, typically offering a discount if they use the card at the \*\*\*merchant\*\*\*. Discover has sent out coupons for Saks Fifth Avenue and Budget Rent-A-Car.

In general, merchants don't pay for access to the **customer** list, and

often the card \*\*\*issuers\*\*\* pay the cost of the mailing. In such a competitive industry, these deals are meant to give both merchants and cardholders a reason to prefer one card \*\*\*issuer\*\*\* over another. Of course, if cardholders actually use the card to buy whatever is promoted, the \*\*\*issuer\*\*\* gets its usual 1 or 2 percent cut.

The card **issuers** tend to use far more personal data in these programs than when they rent their lists. American Express, which doesn't rent its list at all, has been the leader in this sort of arrangement, conducting several thousand promotions with merchants -- large and small -- a year. These have ranged from invitations to local pizzerias to a mailing to prospective Buick owners encouraging them to charge their down payment on the card. With its vast data base and considerable modeling skills, Amex can pinpoint the cardholders most likely to respond to each offer.

Such deals are less promising for bank card **issuers**, because of the fragmented MasterCard and Visa systems. An exception is Citibank, which has 30 million card accounts -- representing one American family in four. And those cards account for 2.5 percent of U.S. retail sales. Citi does promotional mailings for merchants and also provides demographic profiles of a store's customers.

Indeed, increasingly Citibank is offering merchants lists of the names and addresses of their own frequent shoppers. It can also provide lists of who shops at competitors. This is, of course, fraught with potential conflicts of interest. Citibank card chief Bailey explains how the line is drawn: Though the bank wouldn't offer American Airlines a list of United Air Lines customers, it would provide a list of those who fly a certain route on any airline except American.

Conflicts of interest helped sour an aggressive data-base-marketing program developed by Chase Manhattan Bank. The bank sent co-op mailings -- offers from several merchants packaged in one envelope -- to targeted cardholders. Chase culled out lists in four categories -- high-tech blue-collar consumers, new urban households, frequent travelers and high-ticket mail-order buyers. The program raised cries of outrage from catalog companies and list brokers, because they said Chase was filching information -- the names of mail-order buyers -- that is theirs to sell. Chase abandoned the project. "We decided on a policy basis that we didn't want to be in that business. Our cardholders expect us to respect their privacy," says Willis Meek, Chase vice president for marketing information.

The battle over who controls information will no doubt get even more heated. Citi already has invested a great deal in a separate business to provide purchase information to supermarkets and packaged-goods manufacturers. A division called Citicorp \*\*\*POS\*\*\* Services is working with supermarkets to record the individual items purchased by consumers. Late last year it closed down one such program, Reward America, which offered discounts to customers who used a card that **identified** them every time they made a purchase. The program turned out to be too costly to run and too complicated for the \*\*\*consumer\*\*\*. But Citi has several

similar initiatives under way, and it hopes someday to combine credit card data and supermarket information to create a picture of everything a \*\*\*consumer\*\*\* buys.

Citi and American Express have realized that the medium (of exchange) is the message. How we spend our money is a far more detailed and accurate measure of our needs and desires than any marketing survey could ever be. Thus as companies in every industry turn to data-base marketing, financial firms may find that their biggest opportunity may not be in stalking their own customers but in leading safaris for other kinds of merchants.

For society, the message is that technology is bringing the world even closer together. Since the advent of television and satellites, we have seen the world broadcast live into our living rooms. Now, as every cash register, telephone and TV set feeds huge central data bases, much of what happens in our living rooms can be broadcast live to the world.

The Orwellian nightmare seems suddenly more plausible. It's up to those who would use this information to justify the intrusion. They must deliver on the promise of truly better service while keeping their curiosity from becoming voyeurism. Otherwise, if they misuse personal data in pursuit of every last pelt, the hunters will make willing customers an endangered species.

How far is too far?

In 1989 the California Department of Motor Vehicles earned more than \$65 million selling details from its files on the 19.5 million state residents with driver's licenses. Information included physical descriptions of the licensees, along with their addresses, dates of birth, complete driving records and the number and type of vehicles they owned. It was used by lawyers tracking down missing persons, journalists looking for sources, auto companies doing research and, most of all, by the mailing-list and \*\*\*consumer\*\*\* data-base industry.

That year the DMV processed 16 million requests for information, including one for the address of Rebecca Schaeffer, the 21-year-old co-star of the TV situation comedy "My Sister Sam." The query originated from 19-year-old Robert Bardo, a fan. Bardo tracked Schaeffer down at her Los Angeles apartment and killed her with a bullet in the chest.

Let's be clear. Data bases don't kill people; people kill people. But people also blackmail people. They pry into one another's private lives. They leak embarrassing facts to the newspapers. They send intrusive and manipulative advertising. And they pester people who want to be left alone. The detailed information now piling up in consumer data bases can be a big help to those who have something shadier in mind than simply selling financial products. Not all mail-order promoters, after all, are angels.

Like any powerful new technology, the great data-storage power of modern computers raises a debate about how it fits into society. What are the limits, if any, to how personal data can be used? Should people have any say in what information about them is collected, how it is used and to whom it is disseminated? And how can the keepers of these records be held accountable for the consequences of their actions?

The answer right now is that almost anything goes. Companies are free to root through the electronic garbage of people's lives, pick up the data they have casually dropped, keep it on file forever and sell it to the highest bidder. As it learns about these practices, the public feels helpless and violated. "When people give information about themselves in the context of doing business, their expectation is that it will be used only in that context," says Janlori Goldman, the head of the American Civil Liberties Union's privacy project. "If it is used in another context --to make a second profit -- they have lost control and feel their privacy has been invaded."

Most prominent data-base marketers acknowledge the potential problems. "You have to worry about the Big Brother aspect of this," says Citibank card chief James Bailey. "That's why we go to great lengths to make sure that we have the trust of our customers."

Companies like Citi and American Express Co., which have been leaders in exploiting information about their customers, have also been the first to adopt formal privacy policies. As a rule, these policies restrict disclosure of data to those with a "business need" to see it. They also offer consumers the ability to "opt out" of receiving any promotional mail.

These privacy policies are an important step, and some of the \*\*\*consumer\*\*\* complaints would be quieted if more companies had them.

But

they are essentially paternalistic. They promise that information will be treated carefully, but give consumers little say in what that means. Moreover, the opt-out programs don't limit the information that companies collect about their customers or purchase from outside sources.

Essentially, people no longer have any control over who knows what about them. If a child joins an ice cream parlor's birthday club, his age will be available for anyone to buy for the rest of his life. "Information technology now renders null and void the tacit assumptions we've had when we did the things we always did," says William Bowen, a retail banking consultant with First Manhattan Consulting Group. The fact that I subscribe to a magazine, plus that I make so much money, plus that I have a political affiliation gives a much clearer picture of me than any of these things separately."

What does it mean if your bank knows when you were married and how old your kids are? In almost every case, this may have a trivial impact or may improve service. Still, sometimes people choose to lie. They tell their friends that they were married a year before the baby was born; perhaps it's better that way. Now anyone who wants to can learn otherwise.

Whatever the policies the leading companies adopt, there are still hundreds of shadowy list brokers who never deal with the public. Individuals have no way to know what information is kept about them or to hold the keepers of the information responsible if it is misused. For example, even if banks and credit bureaus never sold any information, mail-order companies have compiled extensive lists of people who use credit cards to make purchases.

"We as an industry have to learn to police ourselves better," says Shearson

Lehman Brothers retail head Jonathan Linen. "There are a lot of people who have access to a lot of information who are not as reputable as we would like them to be."

Many countries aren't going to wait for mailers to get their own acts together. In Europe the reaction has been effectively to ban most uses of data bases. A draft privacy directive would put strict limits on the use of personal information by any company operating in the twelve European Community countries. These rules would include forcing companies to **register** data bases with the government and get explicit permission from consumers to keep information about them.

In the U.S., most **\*\*\*consumer\*\*\*** advocates aren't asking for such a heavy hand from the government. Yet. But they do argue that the same technology that **accumulates** data about individuals also can help them control how it is used.

One idea is the consensual data base, for which consumers volunteer information and specify the uses to which it can be put. Shearson's new **consumer** data base (story) will for the first time prevent brokers from making cold calls to people who say they don't want to be solicited.

But the technology has far more potential to put people in control. The industry could offer a more detailed opt-out service, allowing consumers to specify the sorts of mail they don't want to receive and how data about them may be used. Furthermore, technology now makes it easy to disclose to consumers what information is kept on them and how it is used. "Something needs to be done to get the **consumer** into the loop," says Georgetown University business professor Mary Culnan.

Bankers say this kind of disclosure would be impractical and expensive. Complaints about cost, however, are undermined by the fact that the use of this information is cutting marketers' mailing bills by one fifth to one third.

Many businesses are simply frightened of disclosure rules, because they believe people will be outraged if made aware of the use of marketing data bases. But should companies be allowed to use practices they are embarrassed to detail in public?

They can't hide for long. In California the state legislature rushed to clamp down on the lucrative sale of driver's-license data after the tragic death of Rebecca Schaeffer. And as more personal data finds its way into more places, there will be more unintended consequences and more such reactions. Data bases don't kill people, but people can kill data bases.

The data bases people love to hate

Accuracy in the data-base business is relative. A marketing mailing list is considered good if mail can be delivered to 95 percent of the addresses. By this standard, the files kept by the big three U.S. credit bureaus -- Equifax, TRW and Trans Union Credit Information Corp. -- are among the most accurate data bases available. Yet, as millions of Americans who have been turned down for loans and then checked their credit files know, the records

are riddled with errors.

Because of this, the credit bureaus have become the chief target of the growing \*\*\*consumer\*\*\* backlash against the rise of data bases.

Consumers

have three main complaints: The bureaus' data is not accurate enough, preventing some people from getting credit. The bureaus don't maintain adequate controls over who can see credit files. And they are misusing credit data by repackaging it for sale as marketing mailing lists. To address these complaints, this month the **Consumer** Affairs Subcommittee of the House Banking Committee is scheduled to hold hearings to examine several bills that would substantially tighten the 1970 Fair Credit Reporting Act.

Most bankers who use credit data to evaluate applications acknowledge that errors in files are far too frequent. Sometimes that's because the bureaus put data in the wrong person's file. In other cases, a credit grantor reports inaccurate information. One banker tells of a long fight with a large department store over an incorrect report that he was 150 days late with a payment. Customers of his bank had similar experiences, so he instructed his credit department to ignore delinquencies reported by that creditor.

In most cases, the errors are minor and don't affect a credit application. But enough mix-ups occur that bankers see it as a problem. "The accuracy of credit files is a legitimate concern," says Scott Marks, head of First Chicago Corp.'s credit card unit. But "over time it's getting better," he maintains.

Perhaps an even greater concern is the lack of control over access to credit files. Any business that extends credit to customers in any form or wants to investigate job applicants can get a **terminal** that can call up anybody's credit file. And the credit bureaus have few means to verify the legitimacy of any request. For example, a car salesman reportedly used such a **terminal** to find the phone number of a woman he met at a party.

Credit bureaus also repackage the data in their files and sell it to companies with products to market. Though there are legal limits on the dissemination of credit reports, the bureaus get around this by "prescreening." That is, a marketer can construct a list of characteristics -- including credit information -- and the credit bureau will provide a list of individuals meeting that screen.

The bureaus also sell noncredit data like individuals' ages and addresses. And they will associate individual names with purchasing patterns and financial status. The bureaus say they protect privacy by blurring credit data through a process of abstraction and modeling. \*\*\*Consumer\*\*\*

advocates call this "data laundering."

Some of the proposals in Congress would ban the sale of credit information for marketing. Others would allow it only if notice were given to consumers and they were allowed to withdraw their names from marketing lists. (The bureaus themselves have started opt-out programs -- without publicizing them, however.)

The problems of accuracy and illegitimate access are harder to correct. The congressional bills generally make it easier for consumers to see the information in their files and to obtain a list of who bought it. Fundamentally, though, other than the threat of regulation, it's hard to find a way to keep the credit bureaus accountable. "I worry a lot about the credit bureaus," says Pamela Aims, a **database**-marketing consultant with Ketzenbaum & Co. in Chicago. "If I'm mad at American Express, I can do something about it. The credit bureaus don't care if I'm mad at them; they aren't building a relationship with me."

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COMPANY NAMES:

American Express Co (DUNS:00-697-9900 TICKER:AXP)

Chemical Bank (DUNS:00-698-1831)

Citibank (DUNS:00-698-3704)

Metromail Corp (DUNS:03-923-6500)

Chase Manhattan Bank (DUNS:00-698-1815)

GEOGRAPHIC NAMES: US

DESCRIPTORS: Financial services; Credit reports; Data bases; Marketing  
information systems; Advantages; Invasion of privacy; List brokers;  
Manycompanies

CLASSIFICATION CODES: 9190 (CN=United States); 8120 (CN=Retail banking);  
5240 (CN=Software & systems); 7100 (CN=Market research)



Welcome to DIALOG

Logon file001 02mar04 15:29:21

SYSTEM:OS - DIALOG OneSearch

File 9:Business & Industry(R) Jul/1994-2004/Mar 01

(c) 2004 Resp. DB Svcs.

File 610:Business Wire 1999-2004/Mar 01

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\*File 610: File 610 now contains data from 3/99 forward.

Archive data (1986-2/99) is available in File 810.

File 810:Business Wire 1986-1999/Feb 28

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File 275:Gale Group Computer DB(TM) 1983-2004/Mar 02

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File 15:ABI/Inform(R) 1971-2004/Mar 02

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File 476:Financial Times Fulltext 1982-2004/Mar 02

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File 624:McGraw-Hill Publications 1985-2004/Mar 01

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\*File 624: Homeland Security & Defense and 9 Platt energy journals added

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File 636:Gale Group Newsletter DB(TM) 1987-2004/Mar 02

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File 621:Gale Group New Prod. Annou.(R) 1985-2004/Mar 01

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File 813:PR Newswire 1987-1999/Apr 30

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File 16:Gale Group PROMT(R) 1990-2004/Mar 02

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File 160:Gale Group PROMT(R) 1972-1989

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File 634:San Jose Mercury Jun 1985-2004/Mar 01

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File 148:Gale Group Trade & Industry DB 1976-2004/Mar 02

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(c) 2004 The Dialog Corp.  
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 File 583:Gale Group Globalbase(TM) 1986-2002/Dec 13  
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 \*File 583: This file is no longer updating as of 12-13-2002.  
 File 65:Inside Conferences 1993-2004/Feb W5  
 (c) 2004 BLDSC all rts. reserv.  
 File 2:INSPEC 1969-2004/Feb W4  
 (c) 2004 Institution of Electrical Engineers  
 \*File 2: Alert feature enhanced for multiple files, duplicates removal, customized scheduling. See HELP ALERT.  
 File 233:Internet & Personal Comp. Abs. 1981-2003/Sep  
 (c) 2003 EBSCO Pub.  
 File 474:New York Times Abs 1969-2004/Mar 01  
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 File 475:Wall Street Journal Abs 1973-2004/Mar 01  
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 File 348:EUROPEAN PATENTS 1978-2004/Feb W04  
 (c) 2004 European Patent Office  
 File 349:PCT FULLTEXT 1979-2002/UB=20040226,UT=20040219  
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 File 347:JAPIO Oct 1976-2003/Oct(Updated 040202)  
 (c) 2004 JPO & JAPIO  
 \*File 347: JAPIO data problems with year 2000 records are now fixed. Alerts have been run. See HELP NEWS 347 for details.  
 File 635:Business Dateline(R) 1985-2004/Mar 02  
 (c) 2004 ProQuest Info&Learning  
 File 387:The Denver Post 1994-2004/Mar 01  
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 File 471:New York Times Fulltext 90-Day 2004/Mar 01  
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 File 492:Arizona Repub/Phoenix Gaz 19862002/Jan 06  
 (c) 2002 Phoenix Newspapers  
 \*File 492: Not updating. See instead File 990 for current articles from the Arizona Republic.  
 File 494:St LouisPost-Dispatch 1988-2004/Mar 01  
 (c) 2004 St Louis Post-Dispatch  
 File 498:Detroit Free Press 1987-2004/Feb 29  
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 File 631:Boston Globe 1980-2004/Feb 29  
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File 633:Phil.Inquirer 1983-2004/Feb 29  
     (c) 2004 Philadelphia Newspapers Inc  
 File 638:Newsday/New York Newsday 1987-2004/Mar 01  
     (c) 2004 Newsday Inc.  
 File 640:San Francisco Chronicle 1988-2004/Mar 02  
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 File 641:Rocky Mountain News Jun 1989-2004/Mar 01  
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 File 702:Miami Herald 1983-2004/Feb 29  
     (c) 2004 The Miami Herald Publishing Co.  
 File 703:USA Today 1989-2004/Mar 01  
     (c) 2004 USA Today  
 File 704:(Portland)The Oregonian 1989-2004/Mar 01  
     (c) 2004 The Oregonian  
 File 713:Atlanta J/Const. 1989-2004/Feb 29  
     (c) 2004 Atlanta Newspapers  
 File 714:(Baltimore) The Sun 1990-2004/Mar 02  
     (c) 2004 Baltimore Sun  
 File 715:Christian Sci.Mon. 1989-2004/Mar 02  
     (c) 2004 Christian Science Monitor  
 File 725:(Cleveland)Plain Dealer Aug 1991-2004/Mar 01  
     (c) 2004 The Plain Dealer  
 File 735:St. Petersburg Times 1989- 2004/Feb 29  
     (c) 2004 St. Petersburg Times  
 File 477:Irish Times 1999-2004/Mar 02  
     (c) 2004 Irish Times  
 File 710:Times/Sun.Times(London) Jun 1988-2004/Mar 01  
     (c) 2004 Times Newspapers  
 File 711:Independent(London) Sep 1988-2004/Mar 02  
     (c) 2004 Newspaper Publ. PLC  
 \*File 711: Use File 757 for full current day's news of the Independent, as  
 as well as full coverage of many additional European news sources.  
 File 756:Daily/Sunday Telegraph 2000-2004/Mar 02  
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 File 757:Mirror Publications/Independent Newspapers 2000-2004/Feb 26  
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Set	Items	Description
S1	25660	POINTS AND ACCUMULAT? AND CUSTOMER
S2	0	S1 AND IDENTIF\$
S3	10245	S1 AND IDENTIF?
S4	9874	SE AND DATABASE AND CODE AND ISSU?
S5	1499	S3 AND DATABASE AND CODE AND ISSU?
S6	1025	S5 AND (POS OR CHECKOUT OR TERMINAL OR REGISTER)
S7	633	S6 AND (SHOPPER OR BUYER OR CONSUMER OR CUSTOMER)
AND (MER-		
		CHANT OR SELLER OR VENDOR OR RETAILER)

(2)

S8 184 S7 AND PD<20001227 (1)  
S9 182 RD (unique items) (1)

(1) considered all

(2) scanned briefsummaries